

Jewel Tea Co., Inc.

Annual Report 1962



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RESULTS IN BRIEF

53 WEEKS
ENDED
FEB. 2, 1963

52 WEEKS
ENDED
DEC. 30, 1961

Retail sales.....	\$617,655,651	\$552,248,995
Earnings:		
Before federal income taxes.....	\$ 21,284,708	\$ 20,476,469
Net for the year.....	10,305,708	10,029,469
Per cent to sales and revenues.....	1.7%	1.8%
Earned per share of common stock.....	\$ 2.84	\$ 2.77
Cash dividends paid per share of common stock.....	\$ 1.60	\$ 1.50
New property, plant and equipment (net) ..	\$ 11,625,936	\$ 7,842,756
Depreciation, amortization and retained earnings.....	\$ 11,093,241	\$ 10,950,619

AS OF
FEB. 2, 1963

AS OF
DEC. 30, 1961

Net working capital.....	\$ 45,713,797	\$ 47,276,547
Ratio of current assets to current liabilities.....	1.9 to 1	2.0 to 1
Operating units:		
Supermarkets.....	295	286
Home Service Routes.....	1,946	1,881
Retail Drug Stores.....	42	33
Self-Service Department Stores.....	5	4
Stockholders.....	9,871	9,362
Common shares outstanding.....	3,551,612	3,543,682
Preferred shares outstanding.....	53,744	55,369
Full-time employees.....	11,461	10,935

CONTENTS

page 1	Management's Report
page 3	Jewel's Diversified Retail Services
page 3	Supermarkets
page 6	"Main Street" Drug-Variety Stores
page 7	Jewel-Osco Neighborhood Centers
page 8	Turnstyle Family Centers
page 9	Supermarchés G. B. and Superbazars—Belgium
page 10	Home Service Routes
page 12	Development of People for Jewel's Future
page 16	Financial Section
page 24	Officers and Principal Offices
page 25	Directors



*Harold J. Szold, Franklin J. Lunding
James L. Allen, George L. Clements*



*Donald S. Perkins, Edward H. McDermott
H. R. Rasmussen, A. Vernon Jannotta*

*Stanley R. Miller
Paul Stratton
Edwin E. Hargrave*



*John W. Evers
William A. Gerbosi
Frank L. Spreyer
Joseph M. Friedlander*



*These photographs of Jewel's
Board of Directors were made
at a Directors' meeting at
the Corporate Offices of the
Company on March 21, 1963.*

March 21, 1963

Management's Report

This report covers the 53 weeks ended February 2, 1963, the Company's 64th year of operation and the 10th consecutive year of new records in both sales and net earnings. The year also marked the completion of 35 years of uninterrupted quarterly dividends through periods of prosperity and depression, war shortages and inflation. During this time the Company changed in character and grew in size and profits as retailing innovations were adopted. We believe further innovations will present your Company with continued opportunity for growth in sales and earnings.

Retail sales totaled \$617,655,651 for the 53-week latest year compared with \$552,248,995 in the 52-week previous year, a rise of \$65,406,656 or 11.8%. Net earnings were \$10,305,708 compared with \$10,029,469 a year ago, a rise of 2.8%. Net earnings amounted to \$2.84 per share of common stock compared with \$2.77 per share in 1961.

In accordance with the action taken at the last Annual Meeting of Stockholders, our fiscal year now ends on the Saturday nearest January 31 of each year. Because of the shift in the fiscal year, net earnings for the four weeks ended January 27, 1962 amounting to \$684,544 (compared to \$659,042 in the comparable weeks of the previous year) have been added directly to Accumulated Earnings and are not included in "Net Earnings for the Year".

In furtherance of our growth program, from the beginning of 1962 through the close of our new fiscal year on February 2, 1963, we opened 18 new supermarkets and substantially enlarged and remodeled 4 others. Nine outmoded food stores were closed. Eleven drug stores or drug departments were opened, 2 others were enlarged, and 2 were closed. In addition, we opened a Turnstyle Family Center in Racine, Wisconsin and added 65 home service routes. During 1963, we plan to add approximately 75 home service routes and to open approximately 20 supermarkets, 16 drug stores or drug departments and 4 Turnstyle family centers. Two of the 4 family centers were opened on March 4, 1963, and have met with a favorable initial reception from customers.

Arrangements for funds to support our expansion program have been made through the issuance of 4½% long-term notes in the amount of \$20,000,000. The notes are repayable in equal annual instalments of \$1,250,000 beginning March 31, 1972 and ending March 31, 1987.

We are encouraged by the opportunities we see in 1963. It is generally forecast that disposable personal income will rise moderately. Spending of this income by customers will tend to support our various businesses but does not promise any relaxation of intense competitive pressures. The results of our established businesses as well as of our new ventures this past year demonstrate the interest, flexibility and creativeness of Jewel people in meeting the challenges in a rapidly changing and highly competitive retailing environment. Their performance provided outstanding values and pleasant shopping experiences for our customers. Thus, while the research, development and organization expenses of our newer ventures have been and will continue heavy in 1963, we are confident of the ability and determination of the Jewel-Osco-Turnstyle organization to meet competition and again come through with new records.

K. L. Clements

President

FOR THE BOARD OF DIRECTORS

J. Luning
Chairman

Jewel's Diversified Retail Services



A typical Jewel supermarket, one of 295 in operation in the four states bordering Lake Michigan.

SUPERMARKETS

COMPETITION

The growth of our food stores over the years can be attributed to our ability to be highly competitive in the handling of perishable foods, particularly of fresh meats; to cleanliness of stores and the friendly atmosphere provided customers; and further by the ability of Jewel people to respond with innovations to satisfy the ever-changing demands of customers and to keep prices and costs down. As mentioned in our Annual Report for 1961, it was anticipated that in 1962 another major food retailer would begin to offer trading stamps in Chicago. We also mentioned our

intention to continue our policy of concentrating on food values without stamps, based on our experience since the introduction of trading stamps by two other major competitors in Chicago in 1957. The anticipated developments did occur with the further introduction of trading stamps in March 1962.

The ability of Jewel supermarkets to withstand successfully in 1962 this additional competitive challenge from trading stamps reflects the hard work and initiative of the entire supermarket organization in providing still better values for customers in merchandise, service and pleasant shopping experiences. Especially noteworthy was the performance of Jewel people in the stores, the point where values and service are enjoyed by customers.

ROLE OF STORE MANAGEMENT

The store manager plays a key role in determining the success of an individual store. His is the difficult responsibility of providing maximum value and service for customers at minimum cost, working with a staff that averages approximately 30 people and ranges up to 100 in some of the larger units. It is the job of the manager and his people to handle the flow of customers and merchandise, to arrange and decorate his store to fit the desires of his neighborhood, and to dramatize current merchandising values to his customers. He assigns responsibility for functions within the store for most effective merchandising; such as for fresh produce, dairy products, shelf-stocking, and the very important cashier-checkout service. To maintain efficient low-cost operations he at all times keeps a careful watch on expenses for each of these functions, especially of operating costs and related factors such as dollar sales and pounds handled per man-hour. He must resolve successfully the need to provide maximum value and service for customers on the one hand and the equally important requirement to operate at minimum cost on the other.

In carrying out his responsibilities, the store manager has the assistance of a supervisory group headed by a Division Manager who covers 30 to 40 stores and reports to the Vice President of Operations. The supervisory group includes specialists in operations, merchandising and personnel. The Division Manager can also call on other specialists in the Company, experts for fresh produce, dairy products, checkout operations, shelf-planning and merchandising, etc.

Heavy reliance is placed on the sharing of profits as well as responsibilities in stimulating effort of the supermarket organization, as it is in all operations of the Company. This takes the form of our profit-sharing retirement plan, Jewel Retirement Estates. The JRE investment fund now totals approximately \$55 million and discharges the Company's pension responsibilities by providing satisfactory incomes to those retiring from service. In addition, a store manager may earn a cash bonus based mainly on the sales performance and profitability of his store. We believe such sharing of rewards for successful effort has played a significant part in the Company's development.

THE ROLE OF MANAGEMENT PLANNING

Senior management has the responsibility of encouraging and stimulating performance currently, of developing people to assume responsibilities in the future, as discussed on pages 12-14 of this report, and of gradually adapting the nature of the Company's operations to the changing demands of customers. Such demands develop continuously in response to social and economic changes, of which two are most significant from our standpoint. One is the growth in automobile ownership, with its attendant demand for convenient, one-stop shopping. The other is the rise in the income level of customers with resulting increased demands for items and services contributing to a higher standard of living and reduced work in the home.

Automobile ownership increased from less than 26,000,000 at the close of World War II to about 65,000,000 at present and the total keeps rising each year. The rise in income is reflected in the fact that in the five years from 1955 to 1960, the number of families with incomes of less than \$7,500 actually declined by 3,510,000, while the number with incomes of \$7,500 or more increased by 7,400,000 or 73%. At the same time, it must be noted that approximately two-thirds of families have incomes of less than \$7,500 per annum and only one-third have incomes of \$7,500 or more. Thus, as time goes on our customers are able to purchase a greater variety of better-quality products with more "built-in maid service"—but they are hardly sufficiently affluent, on average, to be able to afford a steady diet of upgraded products and services.

Accordingly, in our supermarket operations, it is our responsibility to continue to provide staple necessities at low prices in all lines of food and household needs, while at the same time providing for the increasing demand for richer quality, specialty products and the desire to purchase these in a wider variety of sizes and degrees of advance preparation for serving. Such items are necessarily handled at higher service cost than staples. It is management's function to provide the mix of such items with the low cost staple necessities which will yield the greatest overall value and satisfaction to customers.



"Extra" features, such as the appealing Patio Shop shown above, are being added to an increasing number of Jewel supermarkets.

SPECIAL FEATURES AND LOWER COSTS

Special features help to satisfy the increasing desire for more service and richer quality. Chef Cut Meats, for example, provide extra boning, cutting and tying for easier preparation and carving in the home. They designate our markets as the place for "something special". Sausage Shops are included in 149 stores. As their name implies, they carry a wide selection of sausage products, barbecued chicken and ribs, and an assortment of delicatessen-type items. A number of the larger stores have extended delicatessen departments, which we call Patio Shops.

Other "extra" features of our supermarkets include Jewel frozen fresh pastries, supplied from our pastry bakery. These continued to gain in acceptance in 1962 and contributed to the overall gain in sales for the supermarkets. In all, 29 Jewel pastry shops were added during the year. At the close of the fiscal year, Jewel pastry shops were in operation in 95

markets and 76 other stores were supplied by local bakers with a reputation for quality, an increase of 16. Also, 42 Eisner Division stores in central and eastern Illinois and western Indiana continue to be supplied from their own bakery with fresh bakery products that have long enjoyed a reputation for top quality.

Progress was made during the year in lowering production and handling costs through new methods, notably in the bakery operations. Further economies were made in costs related to transportation of merchandise from warehouses to stores through additional improvements in scheduling, the handling of store loads on pallets and the use of improved delivery equipment of greater capacity.

These developments, plus continued improvement in productivity at the store level, where most expense is incurred, help to offset the continued rise in expense factors such as higher pay rates, increased use of utilities and greater investment in equipment.



An interior view of a representative Osco "Main Street" drug-variety store.

"MAIN STREET" DRUG-VARIETY STORES

Of the 42 drug-variety stores in operation at the close of the fiscal year, 34 represent so-called "Main Street" Osco Drug stores in the main business sections of medium-sized cities in the mid-western states of Illinois, Indiana, Iowa, Minnesota, North Dakota and Wisconsin. These stores carry a wide variety of drug and other merchandise. The filling of prescriptions is emphasized in providing a full service of drug and related products. Other merchandise lines include housewares, small appliances, hardware, toys, cameras, garden tools, lawn mowers and auto supplies. These stores offer a friendly atmosphere in the community and rely on low retail mark-ups, high turnover and self-service to provide low prices for customers and above-average benefits to employees and stockholders.

Osco Main Street stores do not ordinarily reach a state of satisfactory profit in their first year of

development. Consequently, it is a source of satisfaction that the Main Street Osco Drug stores recorded an increase not only in sales but also in operating profit in 1962, despite an ambitious program of new store openings. Five new stores were opened, of which two replaced undersized units which were closed, and two stores were substantially enlarged.

These results reflect the ability of established stores to adapt themselves successfully to new competition, notably from "discount houses", and further demonstrate the resourcefulness of store people in holding sales and reducing costs in the face of strong competitive pressures. The store manager in particular exercises wide discretionary authority and judgment in merchandising his store to satisfy local demands. He and his assistants derive a substantial part of their cash compensation from the profits of his own store. Based on experience in 1962 we look forward optimistically to developments in 1963 for Osco Main Street Drug stores.

EXPANDED ONE-STOP SHOPPING SERVICES

Our pooling of interests with Osco Drug, Inc. in 1961 and with Turnstyle Operating Corporation in 1962 was, in part, for the purpose of jointly developing new merchandising concepts. These aim to satisfy growing customer demand for efficient facilities to permit one-stop shopping for a variety of food and frequently-shopped-for general merchandise, particularly of items that can be adapted to the low-cost self-service method. We were led to this by observing the rapid expansion of the self-service principle into drug and variety store operations and the growth of soft goods discount department stores. Also, in developing our own neighborhood centers, we ran into numerous problems and frustrations in finding other retail outlets which were compatible with our own supermarket operating standards and which would make a contribution to the center as a whole as well as benefit from our supermarket traffic.

JEWEL-OSCO NEIGHBORHOOD CENTERS

Our development of food and general merchandise centers to meet customers' demands for one-stop convenient shopping is proceeding along two lines. One involves an extension of the supermarket concept to incorporate drug items, generally including a pharmacy, health and beauty aids, and other household variety items included in the typical Osco Drug line. At the close of the year there were 7 such units in operation. Two of these, which opened in October 1962 and January 1963, have the drug-variety and supermarket portions in the same store with common checkouts, entrances and exits.

These centers are located in the Chicago Area as neighborhood facilities and range in size overall from around 20,000 to 30,000 square feet. Because their merchandising is comparable to that of the supermarkets, the drug-variety departments are being operated within the supermarket organization by a



Architect's drawing of a Jewel-Osco neighborhood center currently under construction, which includes drug-variety and supermarket departments in a single store with common checkouts, entrances and exits.



supervisory group experienced in drug-variety store operations.

The initial forward steps with the drug-variety part of these centers have required heavy outlays for the training and development of people and for initial promotions. Such expenses will continue in 1963 but additional units—14 more drug departments are scheduled for the Chicago Area in 1963—can be added without increasing supervisory and other overhead expense proportionately. We have been encouraged by the reception accorded these neighborhood centers thus far.

TURNSTYLE FAMILY CENTERS

Our second line of development of food and general merchandise retailing is the Turnstyle Family Center of 100,000 or more square feet in size. It incorporates an extensive line of clothing and other soft goods; auto accessories, hardware, small appliances, sporting goods, and a wide assortment of other Osco drug and variety items; and a complete Jewel supermarket.

The Turnstyle Family Center offers an attractive

place to shop comfortably for popularly-priced quality merchandise. Quality is emphasized, but low prices result from high volume and the lower operating costs of self-service. Selection is broad so that the customer can shop for items she might normally expect to find in a food store, a drug store or a department store. Design of the Center, with food, drugs and department-store merchandise all facing a central arcade, help each customer to use her shopping time most efficiently. The central arcade presents attractive impulse items and dramatic seasonal promotions. It has an elevated snack bar area where the customer can rest and view the entire range of merchandise available for sale.

The Family Center, as its name implies, is designed to make it pleasant for the whole family, or any member of it, to come and shop. Food, wearing apparel and cosmetics appeal primarily to women shoppers; auto parts, hardware and sporting goods appeal to men; and for the children there is the year-round toy department, records and a recreational area. In summary, the Family Center aims to



A panoramic view of the Turnstyle Family Center opened on March 4, 1963 in Skokie, Illinois, as seen from the elevated snack bar in the foreground.

meld the price appeal of the discounter, quality that can be relied on, the excitement of a country fair, and an ease of shopping that is inviting whether the customer spends ten minutes or several hours.

The first of our Turnstyle Family Centers opened on the outskirts of Racine, Wisconsin, on March 28, 1962. The reception of this unit, in an area where Jewel had not previously operated stores, was especially encouraging in the face of competition from a nearby discount house and food store combination which opened at approximately the same time as our Family Center and another shopping center, including a discount department store, which opened in the Fall.

In 1963 we will open 4 more Turnstyle Family Centers. Two of these started operations in the Chicago Area on March 4, 1963 and opening sales have more than met expectations. Two more units will open soon in Moline, Illinois and Davenport, Iowa, where we do not now operate supermarkets. Six additional sites in the Midwest and the Boston Area are in inventory for 1964 development.

SUPERMARCHÉS G. B. AND SUPERBAZARS—BELGIUM

There were 13 Supermarchés in operation at the close of our fiscal year, of which 4 are located in Superbazar self-service department stores. These represented increases of 3 Supermarchés and 1 Superbazar over the number in operation at the close of the previous year. Attention this past year has been devoted to adapting the self-service supermarket techniques to the requirements of the Belgian market and improving the efficiency of operations. Sales response has been gratifying and we look forward to the further expansion of this business.

We believe that the free world is growing closer together and that as incomes rise abroad, people will demand more of the goods and services which residents of the United States enjoy. These, however, must be fitted into their own cultural and economic backgrounds. We will continue to keep in touch with investment possibilities in other parts of the world.

HOME SERVICE ROUTES

For Jewel's Home Service Routes Department, 1962 was a year of outstanding progress. Over 3,600 men and women working to serve Jewel customers in 42 states and the District of Columbia through our direct-to-the-home distribution recorded these accomplishments during the fiscal year:

- An increase of 11.7% in sales volume with a higher increase in earnings.
- An increase of 65 routes to a total of 1,946, with 49,881 more homemakers using our service. A greater increase is planned for the coming year.
- The completion of the installation of the Co-Operative Franchise Plan on over 94% of our routes. This Plan (described in our 1961 Annual Report) rewards each route operator for the profitability of his operation rather than simply his sales. It makes his goals identical to those of the Company.
- The highest earnings per salesman and the lowest turnover of our salesmen in the history of our business.
- The greatest manufactured output in the 32-year history of our Barrington plant, including an addition of 19 new grocery items manufactured for Routes distribution and an addition of 9 new items for Food Stores distribution.

A year ago it seemed likely that 1962 would be a year of transition for all Routes people as they learned to understand and respond to the disciplines and the opportunities of the new Co-Operative Franchise Plan for Route Operators. However, so greatly has this new program contributed to the stability of existing Route operations and Management's ability to add new, high-caliber sales people in 1962, that we have launched a 5-year Growth Program designed to add significantly to the sales and earnings of our Routes Department. In spite of,

or perhaps because of, the increasing emphasis on self-service and de-emphasis on personal selling in many facets of retailing, we enjoy a continuing healthy reception for the friendliness, helpfulness and shopping ease implicit in Route service.

**JEWEL HOME SERVICE ROUTES
OPERATE IN 42 STATES**

State	Routes in Operation		New Routes Being Built
	Dec. 30, 1961	Feb. 2, 1963	Feb. 2, 1963
ALABAMA.....	13	14	
ARIZONA.....			1
ARKANSAS.....	4	4	
CALIFORNIA.....	289	289	4
COLORADO.....	34	34	
CONNECTICUT.....			1
DELAWARE.....	4	4	
DIST. OF COL.....	3	3	
FLORIDA.....	39	41	1
GEORGIA.....	23	23	
IDAHO.....	9	9	
ILLINOIS.....	120	125	2
INDIANA.....	111	111	
IOWA.....	56	56	1
KANSAS.....	39	40	
KENTUCKY.....	44	44	
MAINE.....			5
MARYLAND.....	48	49	
MASSACHUSETTS.....	6	10	5
MICHIGAN.....	128	128	1
MINNESOTA.....	11	27	
MISSOURI.....	45	46	
NEBRASKA.....	18	18	1
NEVADA.....	2	2	
NEW HAMPSHIRE.....		3	1
NEW JERSEY.....	14	14	2
NEW MEXICO.....	7	7	1
NEW YORK.....	97	99	2
NORTH CAROLINA.....	38	38	
OHIO.....	142	146	1
OKLAHOMA.....	26	28	3
PENNSYLVANIA.....	213	223	5
RHODE ISLAND.....			1
SOUTH CAROLINA.....	11	12	1
SOUTH DAKOTA.....	4	9	
TENNESSEE.....	56	56	
TEXAS.....	45	45	2
UTAH.....	18	19	
VERMONT.....	1	5	2
VIRGINIA.....	49	50	2
WEST VIRGINIA.....	37	37	
WISCONSIN.....	71	72	
WYOMING.....	6	6	
TOTAL	1,881	1,946	45



The human values of the Co-Operative Franchise Plan have contributed to Jewel Routes much beyond statistical measurement. As our sales people have learned to become business managers they are enjoying the same measure of self-respect that comes from successfully operating their own businesses. In addition, they enjoy the security of the hospitalization and profit-sharing retirement programs protecting all Jewel people. The Franchise Plan has caught the imagination of outstanding sales people in all parts of the United States.

Mr. Austin's accomplishments under the Franchise Plan point up the results of switching from the payment of straight sales commissions to the sharing of the profits achieved by good sales coupled with good expense control. Comparing his results for the past two years on the Franchise Plan with those for the preceding two years, we find that he increased his sales and number of customers served, substantially reduced his expenses such as for replacing customers lost and bad debts, increased the profitability of his route, and raised his own earnings from under \$6,000 to almost \$9,000 per annum.

A collection of vintage household products. In the foreground, a box of 'Jewel Cold Relief' is partially visible. To its right is a box of 'Jewel Blend Coffee' with a dark, striped design. In the center is a large bottle of 'Jetco Suds' dishwashing liquid, featuring a label with bubbles and the text 'SPEEDY dishwashing ...kind to your hands'. To the right of the Jetco Suds is a bottle of 'Jewel Chewables' with a decorative stopper. In the background, a bottle of 'Jewel Spray Cold Relief' and a bottle of 'Jewel Cream Rinse' are visible. The products are arranged on a light-colored surface.

Development of People for Jewel's Future

Jewel, as a merchandising organization, is primarily concerned with people, with people as customers. But if Jewel's concern for people as customers is to be successful in creating outstanding values and pleasant shopping experiences at low cost, this must be done primarily by the people who are employees, and especially by employees in direct contact with customers. So beyond seeking out and supplying the ever-widening array of products and services and the modern facilities demanded by customers, it is of prime importance that management provide for the development of people who will see to it that customer desires are effectively satisfied at low cost.

Growth plans for Osco "Main Street" stores, Turnstyle Family Centers, Jewel-Osco Neighborhood Centers, Jewel Supermarkets and Home Service Routes all create new demands for the accelerated development of people to have them ready for new opportunities and for a step-up in the flow of additional talented new people into the business. To meet these demands, special attention has been given to providing training and development programs throughout the Company and to the accelerated recruitment of talented people.

PERFORMANCE APPRAISAL

1962 saw further refinements in our performance appraisal program, carrying forward the work done in this area for many years. The present program provides a pattern for individual performance appraisal reviews which encourages each person to participate in developing a plan of action for improving performance on his present job and for accelerating his growth and development in the business. The annual review appraises performance and progress in terms of specific expectations and accomplishments on the job. At this review a plan of action is agreed upon for implementation by the person and his superior. A major benefit of this performance appraisal program is the identification of people who, by interest and performance, give evidence of being capable and willing to qualify for further growth in Jewel.

TRAINING AND DEVELOPMENT

To help individuals progress, training and development programs are conducted throughout the various operations of the Company. Typical are the following carried on in our supermarket operations:

Manager Development An intensive 7-week program has been initiated for all store managers. The program consists of seminar discussions of the principles and practices of management which have been found most effective. It was developed through study and appraisal of the management techniques and practices which have been used by a selected group of Jewel's most successful managers.

Assistant Managers In order to prepare all qualified assistant managers in advance for manager assignments, an intensive program has been provided for this group. This is a 20-week program which meets one night a week. Included in the program are sessions with department, division and section heads which cover all facets of a store manager's responsibilities. The program is divided into four phases, and at the end of each phase the participants meet with their respective division managers to discuss the phase completed in an open question-and-answer session.

Central Cashier-Checker Training School A central training school offers specific instruction to store employees who share responsibility for the cashier-checkout operation. On nomination by Division Managers, this school is open to all classifications of people, including grocery managers, assistant managers, cashier-service managers, assistant cashier-service managers, produce managers, and male and female clerks. The training covers Company policies and procedures, and the need for top-notch customer service is stressed at each session.

Sales Training Sales training programs have been developed at the Division level for such specialized activities as dairy products, fresh fruits and vegetables, pastries and non-foods.

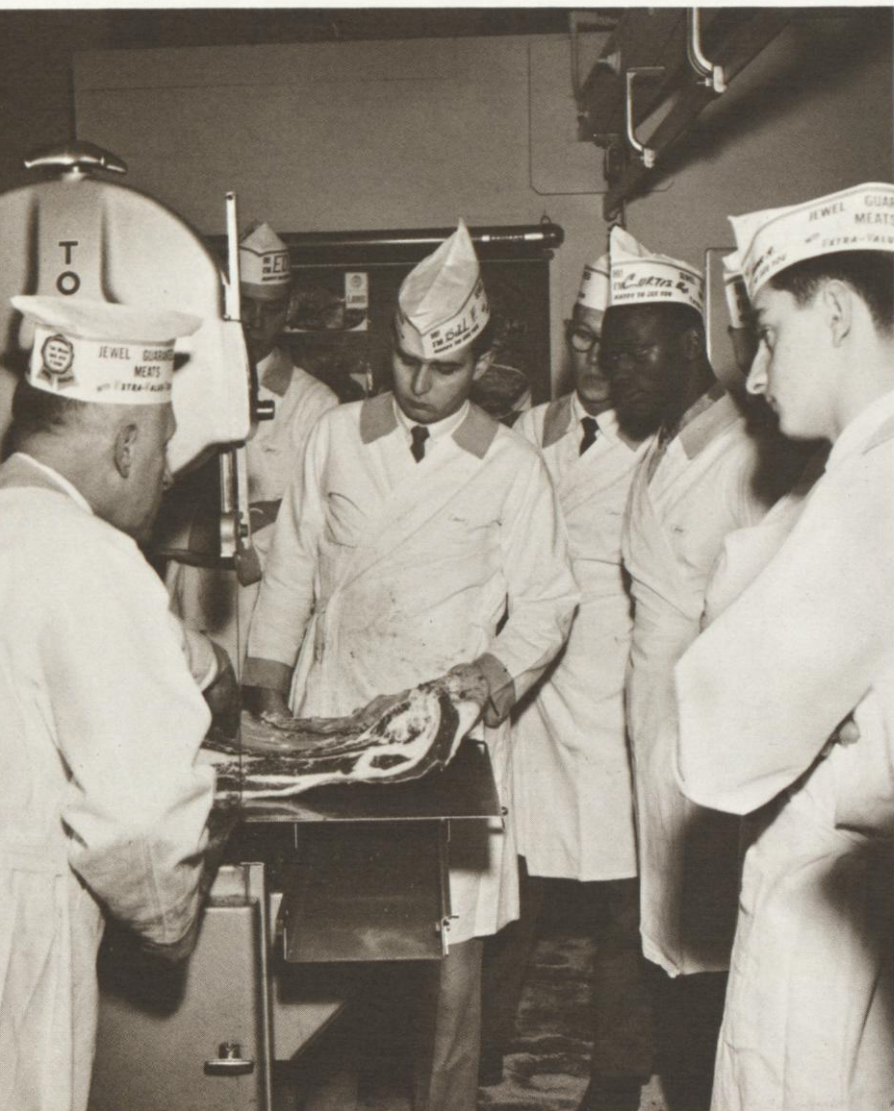
OTHER EDUCATIONAL AND DEVELOPMENT ACTIVITIES

In addition to in-company activities, Jewel people participate in formal management development programs conducted by colleges and universities, including the Industrial Management Institute at Lake Forest College, the Management Development Program of the University of Illinois, and the Management Development Program conducted by the Industrial Relations Center of the University of Chicago. The programs are designed for people already in responsible management assignments to provide them a broadening educational experience

in modern business principles and problems. Beyond these formalized programs, many Jewel people are participating in their own educational development under the Company's tuition refund policy which refunds fifty per cent of the tuition for approved courses which are successfully completed.

COLLEGE RECRUITING

In order to acquaint college professors and placement officers with the challenging career opportunities offered by Jewel, two conferences were held in the Fall of 1962. Representatives from selected colleges and business schools were invited to visit Jewel and



All new market apprentices learn to process meat to conform with Jewel's standards of Extra Value Trim and to handle high-speed power equipment in this Central Market Apprentice School conducted by the Company.

Messrs. G. L. Clements, President, and F. J. Lunding, Board Chairman, standing with 25 high school part-time supermarket employees who were awarded 4-year college scholarships in 1962.



meet with Jewel executives to discuss our growth plans and the implications of these plans for rewarding career opportunities. In addition, a college relations speakers' bureau has been established under which the speaking services of key executives of Jewel have been offered to business and marketing classes and campus organizations to further acquaint college groups with current trends in retailing and what retail executives do.

As a means of attracting talented individuals to Jewel careers, five specific programs have been developed covering the introductory training and development of management trainees in the various parts of the business. Recruiting quotas were established for each of the five training programs based on the projected needs of the various departments. During the 1962-63 recruiting year, contacts have been scheduled with 30 colleges and universities to help fill these quotas.

JEWEL'S SCHOLARSHIP PROGRAM

Jewel's Scholarship Program for high school students has been helpful for a number of years in attracting and working with high caliber part-time employees. The program provides four-year scholarships for which the student employees compete. We have approximately 100 students receiving scholarships at any one time, about 25 in each college class. Our original expectation that many of these students would become interested in Jewel careers has been born out in fact and the program has become an important source of talented career people.

It is Jewel's policy to promote from within whenever qualified people, regardless of educational background, are available in the Company. The intensified training, development and recruiting activities which have been undertaken should enable us to maintain this policy and meet the requirements of our growth plans in all areas of the business.

EXECUTIVE CHANGES

In support of the Company's Growth and Development Program, the Board of Directors elected these additional officers of Jewel Tea Co., Inc. on March 21, 1963. Their election demonstrates the effectiveness of Jewel's Management Development Program which is geared to providing capable young people to meet executive retirements and new management needs. The brief background given for each one illustrates the diversified developmental work experiences and challenges offered Jewel people to assist in their growth.



D. S. Perkins
Executive Vice President, Operations.
Age 36—Years of service 10
Management Trainee, Advertising and Sales Promotion, Merchandise Manager—Routes, Staff Store Operations, Vice President—Growth Planning & Development, Vice President & General Manager—Routes.



H. G. Beckner
Vice President
Sales—Food Stores
Age 34—Years of service 13
College Scholarship Program, Food Store Operations, Store Development, Advertising, Buyer, Merchandise Manager—Eisner Stores, Assistant to Vice President—Food Stores.



W. R. Christopherson
Vice President & General Manager—
Routes Department
Age 37—Years of service 12
Route Salesman, Legal Division, Personnel Manager, Branch Manager, Division Manager, Assistant Sales Manager—Routes Department.



G. T. Hilden
Vice President
Osco Merchandising and Supply
Age 52—Years of service 26
Manager of First Osco Drug Store, District Manager, Buyer, Vice President—Osco Drug, Inc.



R. L. Hileman
Vice President
Grocery Merchandising—
Food Stores
Age 48—Years of service 26
College Scholarship Program, Food Stores Clerk, Assistant Store Manager, Grocery Buyer, Perishables Merchandise Manager, Bakery Merchandise Development, Grocery Merchandise Manager.



H. T. Landon
Vice President
Supply—Routes Department
Age 42—Years of service 16
Legal Division, Manufacturing, Staff Assistant Truck Operations, Warehouse Management, Merchandising—Routes Department.



L. J. Skyles
Vice President
Chicago Osco Drug Stores
Age 37—Years of service 18
Drug Clerk, Lobby Manager, Assistant Manager, Store Manager, Buyer, District Manager—Osco Drug, Inc.; Division Manager Food and Drug Combination Stores.



J. N. Balch
Assistant Treasurer
Age 35—Years of service 11
Corporate Accounting, Staff Assistant—Routes, Routes Department Controller, Manager of Management Systems Research.



G. C. Gentry
Assistant Secretary
Age 38—Years of service 6
Legal Division, Corporate Attorney.

ACCOUNTANTS' REPORT

TOUCHE, ROSS, BAILEY & SMART CERTIFIED PUBLIC ACCOUNTANTS

March 20, 1963

*To the Stockholders
and Board of Directors,
Jewel Tea Co., Inc.:*

We have examined the accompanying consolidated balance sheet of Jewel Tea Co., Inc., as of February 2, 1963, and the related statements of income and accumulated earnings for the fifty-three weeks then ended and source and use of funds for the fifty-seven weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Jewel Tea Co., Inc., and wholly-owned subsidiaries at February 2, 1963, the consolidated results of their operations for the fifty-three weeks then ended, and changes in financial position for the fifty-seven weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart

Certified Public Accountants

Financial Section

- Report of Independent Certified Public Accountants
- Comparative Income Account and Accumulated Earnings
- Comparative Balance Sheet
- Source and Use of Funds
- Footnotes to Financial Statements
- Ten Year Financial Summary

Jewel Tea Co., Inc.

CONSOLIDATED INCOME ACCOUNT AND ACCUMULATED EARNINGS—UNAPPROPRIATED

	53 Weeks Ended Feb. 2, 1963	52 Weeks Ended Dec. 30, 1961
Sales and Revenues:		
Retail sales	\$617,655,651	\$552,248,995
Other sales and revenues	3,614,008	3,576,153
Total sales and revenues	<u>621,269,659</u>	<u>555,825,148</u>
Cost of Doing Business:		
Paid to or for the benefit of employees	95,769,790	83,206,560
Products, materials and services	481,372,591	431,694,622
Depreciation and amortization	6,718,348	6,256,393
Rents	7,775,461	6,415,794
Repairs	3,056,313	2,666,549
Provision for doubtful accounts	1,023,004	943,646
Interest on indebtedness	778,466	848,588
Federal income taxes	10,979,000	10,447,000
State, local and other federal taxes (exclusive of the collection and payment of sales taxes totaling \$20,350,226 in fiscal 1962 and \$17,177,581 in 1961)	3,490,978	3,316,527
Total cost of doing business	<u>610,963,951</u>	<u>545,795,679</u>
Net Earnings for the Year	10,305,708	10,029,469
Accumulated Earnings—Unappropriated		
December 31, 1961 and January 1, 1961	44,041,111	39,589,939
	<u>54,346,819</u>	<u>49,619,408</u>
Add—Net earnings for the four weeks from December 31, 1961 to January 27, 1962	684,544	
Deduct—Cash dividends declared:		
Preferred stock	252,016	157,812
Common stock	5,678,799	5,345,795
Osco Drug, Inc. prior to pooling		74,690
	<u>5,930,815</u>	<u>5,578,297</u>
Accumulated Earnings—Unappropriated End of Year	<u>\$ 49,100,548</u>	<u>\$ 44,041,111</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

	February 2, 1963	December 30, 1961
Current Assets:		
Cash	\$ 16,665,220	\$ 16,312,844
Marketable securities and certificates of deposit	12,408,871	21,665,516
Accounts receivable, less allowances	13,472,621	10,539,677
Inventories, substantially at lower of first-in first-out cost or market	43,842,179	40,941,462
Temporary investment in retail store properties	6,580,099	3,308,543
Prepaid expenses and supplies	1,884,076	1,658,726
Total current assets	94,853,066	94,426,768
Deferred Charge—		
Premiums advanced to customers	1,555,449	1,365,070
Other Investments	3,941,893	3,834,050
Property, Plant and Equipment (at cost):		
Buildings	16,416,245	16,297,574
Equipment and leasehold improvements	69,799,141	63,418,880
	86,215,386	79,716,454
Less allowance for depreciation and amortization	38,339,063	35,836,909
	47,876,323	43,879,545
Land	3,224,056	2,472,309
Total property, plant and equipment	51,100,379	46,351,854
Goodwill	1	1
	<u>\$151,450,788</u>	<u>\$145,977,743</u>

Jewel Tea Co., Inc.

LIABILITIES

	February 2, 1963	December 30, 1961
Current Liabilities:		
Accounts payable and accrued expenses	\$ 24,427,845	\$ 25,003,104
Dividends payable	1,471,030	1,445,090
Accrued federal, state and local taxes	12,197,541	11,413,633
Accrued payrolls and profit sharing	8,726,831	6,959,316
Long term indebtedness due within one year	2,316,022	2,329,078
Total current liabilities	49,139,269	47,150,221
Long Term Indebtedness, less due within one year	14,630,941	17,474,959
Deferred Federal Income Taxes	3,816,088	2,735,000
Stockholders' Investment:		
Preferred stock— $3\frac{3}{4}\%$ cumulative \$100 par value—authorized and issued 58,500 shares at February 2, 1963	5,850,000	5,850,000
Common stock—\$1 par value—authorized 7,500,000 shares; outstanding 3,551,612 shares at February 2, 1963	28,066,071	27,738,676
Accumulated earnings—reserved for self-insured losses and general contingencies	1,250,000	1,250,000
Accumulated earnings—unappropriated	49,100,548	44,041,111
Preferred stock in treasury, at cost	(402,129)	(262,224)
Total stockholders' investment	83,864,490	78,617,563
	<u>\$151,450,788</u>	<u>\$145,977,743</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED SOURCE AND USE OF FUNDS

57 Weeks Ended February 2, 1963

Source of Funds:

53 Weeks ended February 2, 1963:	
Net earnings	\$10,305,708
Depreciation and amortization	6,718,348
4 Weeks ended January 27, 1962:	
Net earnings, depreciation and amortization	1,169,248
	<hr/> 18,193,304
Increase in deferred federal income taxes	1,081,088
Increase in current liabilities	2,002,104
Decrease in marketable securities	9,256,645
Sales of common stock	327,395
	<hr/> <u>\$30,860,536</u>

Use of Funds:

Dividends to owners of the business	\$ 5,930,815
New property, plant and equipment (net)	11,951,577
Increase in accounts receivable	2,932,944
Increase in inventories	2,900,717
Increase in temporary investment in retail store properties	3,271,556
Increase in all other assets	875,948
Decrease in long-term debt	2,857,074
Acquisitions of preferred stock	139,905
	<hr/> <u>\$30,860,536</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CHANGE IN FISCAL YEAR

On May 8, 1962, the stockholders approved a change in the Company's year end to the Saturday nearest January 31 from the Saturday nearest December 31. Consolidated net earnings for the four-week period from December 31, 1961 to January 27, 1962 of \$684,544, have been credited directly to Accumulated Earnings.

OTHER INVESTMENTS

The Company has a 36% interest in Supermarchés G.B., a Belgian corporation organized in 1960 to operate supermarkets in Belgium, carried at cost of

\$1,856,678 and an 18.75% interest in Superbazars, a Belgian corporation organized in 1961 to operate self-service department stores in Belgium and other European countries, carried at cost of \$1,309,951.

In addition, investments in affiliated real estate corporations are carried at cost of \$764,750, which is approximately the same as the Company's equity in their net assets.

DEPRECIATION—INVESTMENT CREDIT

The Investment Tax Credit on qualified equipment purchases during the year will be reflected in income over the approximate productive lives of the subject

assets and the unamortized portion is included in Deferred Federal Income Taxes. Tax deferral arising from use of accelerated depreciation for tax purposes only is also included in Deferred Federal Income Taxes.

The Company has elected to use the Treasury Department's new guideline lives for depreciating most of its equipment and the effect on earnings of this change in method is nominal.

LONG TERM INDEBTEDNESS

Long term indebtedness at February 2, 1963 includes the following:

	Rate	Total Outstanding	Due in Fiscal 1963	Final Maturity
Banks.....	3¼—4¼ %	\$7,500,000	\$1,500,000	1966
Insurance companies.....	2.85	4,000,000	500,000	1971
Insurance companies.....	3.75	3,695,600	217,400	1978
Insurance company.....	4¼	479,500	57,000	1971
Mortgage notes.....	4%	1,138,214	36,021	1982

On March 22, 1963 the Company will receive \$20,000,000 from the trust departments of a group of commercial banks, in exchange for its 4½% notes, to be repaid in equal annual installments beginning in 1972 until final maturity in 1987. Under the terms of this note agreement \$15,974,442 is not restricted for cash dividends on common stock at February 2, 1963.

PREFERRED STOCK IN TREASURY

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. At February 2, 1963, the Company had acquired and retired its sinking fund commitments through June 30, 1960 and there were 4,756 shares of preferred stock in the treasury carried at cost (\$402,129) covering sinking fund requirements into 1964.

COMMON STOCK AND RESTRICTED STOCK OPTION PLAN

The Common Stock Account was increased, during fiscal 1962, by 4,230 shares and \$210,475 through issues to employees under a stock purchase plan, and

by 3,700 shares and \$116,920 through exercise of stock options. Additionally, on February 28, 1962, 60,727 shares of common stock were issued in exchange for all outstanding stock of Turnstyle Operating Corp. and its subsidiaries at a value of \$863,362, equal to the net worth of Turnstyle Operating Corp. and its subsidiaries at December 30, 1961. The exchange was treated as a pooling of interests for accounting purposes and the accompanying financial statements of the companies have been combined for both years.

At February 2, 1963, there were 257,656 unissued shares of common stock reserved, of which 67,006 shares were for employee stock purchase plan purchases, 126,000 shares were for issuance to profit-sharing trusts and 64,650 shares were for stock options described more fully below:

	Number of Shares		
	Reserved	Granted	Available
Balance, December 30, 1961.....	68,350	40,100	28,250
Exercised at aggregate price of \$116,920....	(3,700)	(3,700)	—
Balance, February 2, 1963.....	64,650	36,400	28,250
Options exercisable at February 2, 1963....		17,650	

Outstanding options at February 2, 1963 were granted at prices ranging from \$31.60 to \$72.68 per share, representing 95% of the high market price on the respective dates of grant. Options may be exercised to the extent of 25% one year after granted and an additional 25% becomes exercisable on each of the next three anniversaries of the date of grant. All must be exercised not later than 10 years after date of grant.

LONG TERM LEASES

Nearly all retail stores and the office-warehouses for the home service routes are under lease. A majority of lease commitments are for ten years or less and the remainder, for the most part, cover periods up to 20 years. Annual minimum commitments for leases expiring beyond five years total approximately \$5,250,000, exclusive of real estate taxes, maintenance and insurance required by some leases. Rentals for leased properties in fiscal 1962 included \$1,632,876 paid to affiliated real estate corporations.

CONSOLIDATED TEN YEAR FINANCIAL SUMMARY*

(Total Dollars in Thousands, except per share figures)

	1962@	1961
<i>For the Year</i>		
Retail sales	\$617,656	\$552,249
Earnings:		
Before federal income taxes	\$ 21,285	\$ 20,476
Net for the year	10,306	10,029
Earnings per common share #	2.84	2.77
Dividends per common share #	1.60	1.50
Retained earnings	\$ 4,375	\$ 4,694
Depreciation	6,718	6,256
New property, plant and equipment (net)	\$ 11,626	\$ 7,843
<i>At the Year End</i>		
Net working capital	\$ 45,714	\$ 47,277
Total assets	151,451	145,978
Long term debt	\$ 14,631	\$ 17,475
Preferred stock	5,374	5,537
Common stockholders equity	78,490	73,081
Equity per common share #	22.10	20.62
Number of common shares outstanding #	3,551,612	3,543,682

**In May, 1962 the fiscal year of the Company was changed to the Saturday nearest January 31 from the Saturday nearest December 31.*

Jewel Tea Co., Inc.

1960	1959	1958@	1957	1956	1955	1954	1953
\$519,721	\$490,978	\$470,254	\$436,534	\$404,638	\$364,224	\$327,819	\$288,347
\$ 20,706	\$ 19,380	\$ 17,556	\$ 15,344	\$ 13,572	\$ 11,692	\$ 9,870	\$ 7,641
9,947	9,381	8,480	7,486	6,730	5,717	5,014	3,767
2.82	2.74	2.51	2.25	2.03	1.74	1.52	1.16
1.40	1.20	1.00	.98	.98	.98	.88	.87
\$ 5,129	\$ 5,255	\$ 5,069	\$ 4,235	\$ 3,695	\$ 2,726	\$ 2,058	\$ 1,449
5,922	5,549	4,802	4,356	3,626	3,516	3,000	2,430
\$ 9,511	\$ 8,175	\$ 11,361	\$ 7,567	\$ 9,159	\$ 4,956	\$ 8,966	\$ 4,761
\$ 44,871	\$ 42,671	\$ 36,936	\$ 32,909	\$ 31,639	\$ 31,472	\$ 25,472	\$ 29,372
137,324	117,843	111,425	96,898	91,462	80,447	71,730	65,539
\$ 19,804	\$ 18,214	\$ 18,626	\$ 14,355	\$ 13,953	\$ 13,324	\$ 8,846	\$ 9,138
5,691	5,748	5,803	5,832	5,904	6,595	6,745	6,765
65,678	59,929	51,746	45,567	41,269	36,663	33,720	31,131
19.04	17.92	15.74	14.10	12.91	11.64	10.74	10.33
3,450,249	3,343,365	3,287,986	3,230,619	3,197,280	3,149,843	3,138,472	3,014,649

@53-week year; other years 52 weeks.

#Adjusted for stock splits and stock dividends.

OFFICERS* AND PRINCIPAL OFFICES

Corporate Offices 135 S. La Salle Street, Chicago 3, Illinois

Franklin J. Lunding	<i>Chairman, Board of Directors and Chief Executive Officer</i>
George L. Clements	<i>President</i>
Joseph M. Friedlander	<i>Chairman, Finance Committee</i>
Edwin E. Hargrave	<i>Vice President, Public Affairs</i>
Paul Stratton	<i>Chairman, Board of Directors (Oscos Drug, Inc.)</i>
William W. Tongue	<i>Economist</i>
Robert W. Williamson	<i>Secretary and General Counsel</i>

Administrative Headquarters 914 Merchandise Mart Plaza, Chicago 54, Illinois

Harold G. Homuth	<i>Treasurer</i>
Howard O. Wagner	<i>Controller</i>
Craig T. Allen	<i>Treasurer (Oscos Drug, Inc.)</i>

OPERATIONS

Donald S. Perkins	<i>Executive Vice President</i>
	1955 West North Avenue, Melrose Park, Illinois

Stores Headquarters 1955 W. North Avenue, Melrose Park, Illinois

Howard R. Rasmussen	<i>Vice President, General Manager, Food Stores</i>
Harry G. Beckner	<i>Vice President, Sales, Food Stores</i>
John A. Brewer	<i>Vice President, Store Meat Operations</i>
Max E. Harnden	<i>President (Oscos Drug, Inc.)</i>
George T. Hilden	<i>Vice President, Oscos Merchandising & Supply</i>
Ronald L. Hileman	<i>Vice President, Grocery Merchandising, Food Stores</i>
L. Jack Skyles	<i>Vice President, Chicago Oscos Drug Stores</i>
Lee D. Smith	<i>Vice President, Turnstyle-West Operations</i>
Frank L. Spreyer	<i>Vice President, Stores Mfg., Warehousing & Transportation</i>
Richard D. Sturtevant	<i>Vice President, Real Estate and Construction</i>
Fred A. Woerthwein	<i>Vice President, Store Grocery Operations</i>
John N. Balch	<i>Assistant Treasurer</i>
Grant C. Gentry	<i>Assistant Secretary</i>
Edward T. Vorbeck	<i>Assistant Secretary and General Attorney</i>

Home Service Routes Headquarters Jewel Park, Barrington, Illinois

Wesley R. Christopherson	<i>Vice President, General Manager, Routes</i>
Edward L. Johnson	<i>Vice President, Sales, Routes</i>
Herman T. Landon	<i>Vice President, Supply, Routes</i>

Turnstyle-East Headquarters 119 Braintree Street, Allston, Massachusetts

Harold N. Sparks	<i>Vice President, Turnstyle-East Operations</i>
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BOARD OF DIRECTORS

James L. Allen	<i>Chairman, Booz • Allen & Hamilton, Inc.</i>
George L. Clements	<i>President, Jewel Tea Co., Inc.</i>
John W. Evers	<i>Former President, Commonwealth Edison Company</i>
Joseph M. Friedlander	<i>Chairman, Finance Committee, Jewel Tea Co., Inc.</i>
William A. Gerbosi	<i>Independent Business Consultant</i>
Edwin E. Hargrave	<i>Vice President, Jewel Tea Co., Inc.</i>
A. Vernon Jannotta	<i>Independent Business Consultant</i>
Franklin J. Lunding	<i>Chairman, Board of Directors and Chief Executive Officer, Jewel Tea Co., Inc.</i>
Edward H. McDermott	<i>Senior Partner, McDermott, Will & Emery</i>
Stanley R. Miller	<i>Partner, Goldman, Sachs & Co.</i>
Donald S. Perkins	<i>Executive Vice President, Jewel Tea Co., Inc.</i>
Howard R. Rasmussen	<i>Vice President, Jewel Tea Co., Inc.</i>
Frank L. Spreyer	<i>Vice President, Jewel Tea Co., Inc.</i>
Paul Stratton	<i>Chairman, Board of Directors, Osco Drug, Inc.</i>
Harold J. Szold	<i>Partner, Lehman Brothers</i>

ANNUAL MEETING	The annual meeting of stockholders will be held at 2:00 p.m. on Wednesday, June 19, 1963 at the Pick Congress Hotel, Chicago, Illinois
TRANSFER AGENT	Manufacturers Hanover Trust Company, 40 Wall Street, New York 15, N.Y.
REGISTRAR	Bankers Trust Company, 16 Wall Street, New York 15, N.Y.
STOCK LISTING	New York Stock Exchange

This report is submitted to the stockholders of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.

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